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17 February 1962

ER 62-997

The Honorable Dean Rusk  
The Secretary of State  
Department of State  
Washington 25, D. C.

Dear Mr. Secretary:

Mr. John A. McCone, who is out of the city today, asked that the attached memorandum be given to you for your information.

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Since its preparation, the situation has deteriorated further and the capital of the country has been gutted by fire.

Sincerely,

*W*

Walter Elder  
Assistant to the Director

Orig - Addressee w/att.\*

1 - DCI

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1 - O/DCI (Mr. Elder)

1 - Alice

*\* CIM on situation in British Guiana*

State Department review completed

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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE  
17 February 1962

OCI No. 0723/62

Copy No. 2

CURRENT INTELLIGENCE MEMORANDUM

SUBJECT: The Situation in British Guiana

1. The general strike in British Guiana, which has paralyzed the capital city and on 16 February occasioned extensive violence, was organized by a combination of labor and the opposition parties to take advantage of the growing economic discontent and lack of accomplishments of Premier Jagan's People's Progressive Party government. The immediate spark was the new budget with its high tax and compulsory savings provisions.

2. By 16 February all organized government workers were out, ending most municipal services; nearly all businesses were closed, and airline service into the country had ceased. Most telephone, radio and cable services were shut down. Unruly crowds gathered in Georgetown despite the governor's ban on public meetings, and Jagan took to the radio to promise withdrawal of some of the fiscal measures especially under attack. In the interior, the large Canadian-owned Demerara Bauxite Company was ceasing operations with the workers assisting in an orderly shut-down. As of 16 February, Jagan's stronghold of the rural rice and sugar-producing areas was not seriously affected.

3. In response to Premier Jagan's plea for assistance in keeping order.

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4. [redacted] security forces in the colony consist of a 1,500-man police force under the nominal control of Jagan's Minister of Home Affairs Rai and a 500-man European-officered national-guard type of volunteer force which has been ordered to stand by. The police force is largely Negro, in spite of Jagan's efforts since his August 1961 election victory to "East-Indianize" it and make it more of a political instrument. Jagan may have feared that the police would refuse to obey orders to curb demonstrators. Jagan himself has been inadequately protected by the police and was stoned during the Duke of Edinburgh's recent visit, but as of 16 February the police were still obeying his orders. There is no confirmation of opposition charges that Jagan was attempting to establish a paramilitary force in support of his People's Progressive Party.

#### Background

5. By the first week in February, tariff increases taking effect right after the budget's introduction on 31 January were already causing hardship among the lower classes and the merchant class was complaining that the tax provisions were Jagan's first step in establishing a Communist state. There were rumblings of discontent over the earlier restrictions on the export of capital coming on top of the government's inability so far to do much toward solving its economic problems or to obtain economic aid.

6. Jagan also has problems in the agricultural areas. The government's land reclamation and resettlement scheme at Black Bush Polder has been a spectacular failure so far and most of the rice crop has been lost. Recognizing that Guianese sugar costs more to produce than the current world export price, the Guianese Government has asked the US for an allocation from the former Cuban sugar quota.

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7. Jagan has introduced a plethora of leftist economic advisers including Nicholas Kaldor, a Briton who helped draft the budget, and a Frenchman, Charles Betelheim. Much popular antagonism is focused on Jack Kelshall, who is Jagan's closest confidant with the title of private secretary and public relations adviser, on the grounds that he is a foreigner--from Trinidad--and that he gives orders to elected ministers. Although Kelshall is considered by some to be a Communist, [redacted] in October 1961 labeled him as a "freewheeling fellow traveler." Kelshall has made statements to the effect that money is waiting for British Guiana in the Soviet Union and that people who disagree with the government's program will be deported. The Premier's estranged wife, Janet, who toured the Soviet Bloc and Cuba recently, returned to the colony on 14 February.

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8. Widespread fear that the government was preparing for a dictatorial or even Communist regime was also aroused by such measures as Jagan's refusal to permit the opposition to participate in drafting the new constitution for the May 1962 independence conference in London, by his efforts to build up a pro-Jagan union in the sugar areas, and by his maneuvers to get political control of the police force.

9. It is unclear how long the strike will continue. The Guianese labor movement consists of several badly run unions of varying sizes--the largest being the Manpower Citizens Association of sugar workers--loosely grouped into the Trades Union Council under the ineffective leadership of Richard Ishmael, a long-time Jagan foe. In this low-wage country, where 18 to 20 percent of the labor force is unemployed, the strikers cannot hold out for long.

10. On 15 February Jagan stated to [redacted] that the present crisis was attributable to the Americans because they were giving money to Peter D'Aguiar, leader of the United Force--the smaller and more conservative of the two opposition parties-- [redacted]

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[redacted] that he believed he convinced Jagan there was no factual basis for

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the charge. At the time of the August elections, Jagan also complained of US interference but subsequently stopped such charges in the interests of obtaining aid. [redacted] states that recent American visitors to British Guiana have included "adventurers, naive businessmen, and one probable psycopath" who have given rise to rumors that there is a network of US intelligence agents operating.

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12. The opposition, however, has been hoping to overthrow Jagan either by forcing him to resign or by obtaining sufficient defections from his small legislative majority to topple him on a vote of confidence. At present, Jagan has 19 seats of 35 (a 20th was unseated for electoral corruption), the United Force (UF) has 4 and the People's National Congress (PNC) has 11. Jagan's opportunistic Police Minister, Balram Singh Rai, is considered a possible defector by both [redacted] and the opposition, but as of 16 February the police were the only public servants still obeying the orders of Jagan's administration. In any case, a switch of three votes would topple Jagan.

#### Outlook

13. At best, the prospects for political stability are poor. [redacted]

[redacted] The UF and the PNC were bitterly attacking each other as of mid-December, and while

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now cooperating in the strike action, do not plan a merger.

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The estimate of Jagan's electoral defeat seems reasonable, particularly as he won only 42 percent of the popular vote last August, and the traditional political alignment of East Indians vs. Negroes has already been broken by the events of the past few days. Though unlikely, it is conceivable that the PNC could win a popular majority. PNC chances would improve in the unlikely event that the present leader, Forbes Burnham were replaced.

14. The 38-year-old Burnham is a Negro lawyer who has antagonized many non-Negroes by his racist policies; [ ] He professes to be a socialist, having split with Jagan in 1955 over his interest in communism. He has concentrated on opposing Jagan without offering much of an alternative program. There is considerable factionalism in the party, and its policy in power would be hard to predict. It would probably follow the standard anti-colonialist line and seek aid from the Bloc if unsatisfied by Western offers. Two strongly anti-Communist moderates lost bids for leadership at the November party conference but could alter the orientation if they made a comeback now. Should the party follow Burnham's previous racist line--as it well might after four years in opposition--violence could erupt between the Negro 35 percent of the population and the East Indian 50 percent.

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15. The conservative, multi-racial United Force is strongly anti-Communist and pro-US but has never had much popular appeal since its inauguration in 1960. Its leader, Peter D'Aguiar, was so disappointed by the party's poor showing in the August elections (16 percent of the popular vote) that he considered quitting politics. The party's current demand for "no independence," or a referendum on the issue, and its extravagant development plans have not improved its chances. Representing largely business interests and disaffected former members of other parties, it has little in common with the PNC except the desire to oust Jagan.

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